

Britain's Pop-Up Retail Economy

A study investigating the pop-up retail industry,
its contribution to the UK economy and the barriers it faces

July 2014



BRITISH RETAIL CONSORTIUM

PLAYN
FRAMES AND LENSES

appear [here]

BOXPARK



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Authorship

This report has been produced by Cebr, an independent economics and business research consultancy established in 1993. The study was directed by Charles Davis and researched by Christopher Evans. The views expressed herein are those of the authors only and are based upon independent research by them. The report does not necessarily reflect the views of EE.

Authorship

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Contents

Foreword	04
Executive Summary	05
1 Introduction and background	07
1.1 Aims and objectives of the study	07
1.2 Methodology of the study	07
2 The rise of the pop-up retail industry	08
2.1 What is a pop-up shop?	08
2.2 The roots of pop-up retail	08
2.3 The growth of pop-up shops	11
3 What is holding back pop-up retailing?	14
3.1 Technological barriers	14
3.2 Finding the perfect location and lease	18
3.3 Costs	20
3.4 Planning	21
4 Current trends and turnover of pop-up economy	23
4.1 Analysing the survey evidence	23
4.2 The economic significance of the pop-up retail sector	28
5 Conclusion	30
6 Appendix	31
6.1 About the research	31
6.2 About Cebr	31
6.3 About EE	32

Foreword

One of the most exciting business trends to emerge over the last few years is pop-up retail. Temporary shops, stalls or brand experiences – otherwise known as pop-ups – have become the primary way for retail entrepreneurs to get their idea out on the street, and for established companies to trial new products.

EE firmly believes in fostering this emerging retail economy and helping the sector to achieve its full potential. That's why we've commissioned this report as the first step in our Pop-Up UK campaign, in which we are committing to helping 3,000 entrepreneurs open pop-up shops in the next three years.

We feel supporting this embryonic industry is vital. The pop-up industry is already a major retail sector in its own right, now worth £2.1 billion to the UK economy and projected to grow by a further 8.4% over the next year. However, for the sector to fulfil its potential, it will need help to overcome the economic, legislative and technological barriers that hold pop-ups back. If nurtured correctly, the pop-up industry could see double digit growth.

To realise this potential, government and the wider business community need to provide assistance. Finding the ideal location, lengthy leases, logistics and lack of technology are just some of the issues they face. This is why, in commissioning this report, we hope to highlight all the issues, then use a national campaign like Pop-Up UK to address them. Providing pop-up retailers with low cost flexible technology, advice and mentoring is the first step to boost this fledgling sector.

Finally, EE would like to thank all of the pop-up retailers and industry figures who gave up their time to input into this report, including Appear Here, the British Retail Consortium, BoXPark, Press London, Good & Proper Tea, Playn Eyewear, The Ribman and Millionhands.

Mike Tomlinson, Director of Small Business, EE

Executive Summary

Britain's pop-up retail industry is booming. In the last year, the sector produced £2.1 billion in retail turnover (equivalent to 0.6% of the total UK retail turnover) and employed more than 23,000 people. In the next 12 months, the sector's growth rate is set to outstrip the wider UK retail sector by more than double, with consumers projected to increase spending in pop-ups by 8.4%.

A historically high level of shop vacancy rates, combined with changing consumer preferences and a growing emphasis on locally sourced products has created the perfect storm for the sector to flourish. However, pop-up retailers are still facing significant barriers to success.

A lack of temporary internet connections, high business rates and rents, and finding short term contracts for technology, insurance and utilities, are holding back the sector from its true potential. If the barriers to pop-up retailing were removed however, double digit growth could be within easy reach, helping to breathe life back into the high street.

Key Findings

Pop-up retailing produced £2.1 billion in turnover in the past year – equivalent to 0.6% of total UK retail turnover;

The sector is expected to grow by 8.4% in the next 12 months compared to 3.4% growth in the wider UK retail sector – the rate of growth is expected to be almost 2.5 times higher;

The average person visiting pop-up outlets spent £110 pounds in the last 12 months – this is projected to rise to £120 in the next year;

There are 9,400 pop-up shops across the UK employing roughly 23,400 people;

Pop-up retailing is most prevalent in Cardiff – where 73% of consumers have visited a pop-up shop. Vacancy rates in Wales are higher than the rest of the UK, helping to support the growth in these ephemeral stores¹;

The most popular pop-up shops to visit and spend money in are farmers' markets, food and beverage shops and fashion stores – over 40% of people who have visited a pop-up store went to a farmers' market in the last 12 months;

However, despite the economic growth opportunities pop-ups provide to Britain, the nation's pop-up retail industry could move into double digit growth if certain barriers were removed. Research in this report suggests these factors include:

- Difficulty in finding the ideal location to set up the store;
- Ability to secure the right lease length at a favourable price;
- Lack of knowledge of how to set-up a pop-up retail shop;
- Length of time it takes to set up technology to successfully operate the store;
- Long contract periods on technology such as point-of-sales devices.

To be successful, most stores need fast and reliable internet connections which can be installed quickly so the store doesn't lose custom through lack of point-of-sales devices on days it is open and the shop is able to be portable, moving around at short notice. Typically however, it takes 15 days to set up a fixed line connection, which could either delay the opening of a pop-up shop or mean it cannot take card payments for the first two weeks of launching their business;

Our research shows 65% of consumers would visit a pop-up shop more often if they could easily find its current location, while 45% say being able to pay by debit or credit card is important. As such, connected devices which enable pop-up retailers to promote their store through social media and take card payments are likely to become imperative for this group.

¹For example illustrated by the Asda Income Tracker – see <http://www.cebr.com/reports/5-year-income-tracker-special/>

1. Introduction and background

This report has been produced by Cebr on behalf of EE to assess the emerging importance of pop-up shops to the UK retail sector. Pop-up shops have been gaining popularity in recent years while the wider retail sector has been under pressure from the sustained squeeze on household finances in the aftermath of the financial crisis and recession. Pop-up retail outlets are playing a role in rejuvenating consumer demand through the unique choice of products and appeal of buying locally sourced goods. On top of this, the abundance of retail space in the wake of the downturn appeals to businesses looking for a test bed for new products without incurring significant costs associated with long-term leases (i.e. the sunk costs of setting up a pop-up shop may be lower).

1.1 Aims and objectives of the study

The aims and objectives of the study are to:

- **Assess the economic contribution in terms of turnover and employment generated by the pop-up retail sector compared to the wider economy;**
- **Explore how the pop-up industry has evolved;**
- **Provide key case studies of retailers exploiting this new trend;**
- **Glean insights from store owners into potential barriers preventing further growth;**
- **Analyse key findings from a consumer-based survey;**

1.2 Methodology of the study

This study follows a two-stage approach encompassing primary research gleaned through a consumer survey and secondary research provided through the Office for National Statistics and the Department for Business Innovation and Skills:

- Primary research – a survey of 2,002 consumers was conducted between 6th and 9th June 2014, asking an array of questions on attitudes and experiences towards pop-up retailing. This included questions on the average amount spent in a pop-up store in the last 12 months, the type of store visited and reasons for visiting pop-up shops. Further, qualitative interviews with seven pop-up entrepreneurs were also conducted throughout May and June 2014.
- Secondary research – utilising population estimates from the Office for National Statistics and our survey evidence to calculate the total revenue of the pop-up retail industry over the last 12 months and the next year. This calculation was coupled with business population estimates for micro-sized businesses² from the Department for Business Innovation and Skills to ascertain the number of pop-up shops and their employees.

² A micro-sized business is where there are 0-9 employees. This is used as it is most representative of the number of employees in a pop-up shop and will provide the most accurate business data estimates.

2. The rise of the pop-up retail industry

2.1 What is a pop-up shop?

In this study, we define a pop-up shop as:-

A temporary shop, stall or brand experience used to sell goods and services for a limited period of time. It includes everything from market stalls and street food vendors, to fashion shops, galleries, cafés and bars.

The pop-up retail sector encompasses a broad range of temporary retail stores and consumer brand experiences, which include:

- General food, beverages and clothing retail.
- Market stalls selling local produce.
- Street food vendors.
- Art galleries, nightclubs or concert venues.
- An ephemeral space for brands to promote themselves and test out new products.

"A pop-up shop is ephemeral, it's about someone launching their idea in a physical space, causing a storm and then disappearing before people get bored." Ross Bailey, Founder & CEO, Appear Here.

2.2 The roots of pop-up retail

Pop-up retailing, also known as flash, ephemeral and guerrilla³ retailing, is a modern day concept with roots dating far back into history when people would travel between villages and even continents trading commodities and food. An example of this is Smithfield Market⁴, which is a livestock market in London that has been occupied since the tenth century. More recently since the early 2000s, pop-up retailing has been experiencing a resurgence in popularity helped by high vacancy rates⁵ on the high streets and a changing consumer culture.

High vacancy rates have made landlords more willing to negotiate short-term leases to help cover their mortgage costs. Also, consumer culture has started to change as customers are beginning to put greater value on local goods with the ability to talk to producers or manufacturers face-to-face. The first pioneer of modern pop-up retailing was Vacant in Los Angeles, California in 1999⁶. The US-based company would sell their products until they were out of stock, then close and reopen in a different location. Vacant is accredited with being the first company to develop the concept of the pop-up shop, however, market stalls and travelling salesmen have been delivering similar experiences a long time before the name was devised.

³ Guerrilla retailing, whereby the store is only open for a temporary time, is a tactic used by Comme de Garçons (a Japanese fashion label), more detail on guerrilla retailing can be found here: <http://www.nytimes.com/2004/02/17/nyregion/a-store-made-for-right-now-you-shop-until-it-s-dropped.html>

⁴ Further information on Smithfield market can be accessed online through their website at: <http://www.smithfieldmarket.com/>

⁵ According to reports by the Local Data Company, a retail location data and insight provider.

⁶ According to article written by Bill Gray of the New York Observer, seen here: <http://commercialobserver.com/2012/12/on-10th-anniversary-of-first-nyc-pop-up-retailers-look-back/>

There are many reasons why pop-ups are attractive to both consumers and retailers. Table 1 illustrates some of the benefits highlighted in our research:-

Figure 1: Pop-up shop benefits to consumer and retailers

Benefits to consumers	Benefits to retailers
<ul style="list-style-type: none">• Exclusive and exciting retailing experience.<ul style="list-style-type: none">• Limited edition products.• Vast selection of products as pop-up stores typically cluster together.• Opportunity to interact with a new brand or idea.	<ul style="list-style-type: none">• A test-bed for new products, concepts and markets, as well as trying to generate a buzz around their brand.• The temporary nature of pop-up retailing ensures firms are not tied to long commitments, meaning they can easily leave the market if their product is not selling or generating interest.

Source: Cebr analysis

Pop-up stores are present all over the UK in many different settings, including typical stores at shopping centres, in motor vehicles and stalls at local farmers' markets. There is a vast array of innovative types of pop-up stores from restaurants and clothing shops, to galleries and cinemas, keeping consumer interest and demand satisfied. An example of this is a pop-up store by Bespoke Atelier, which took a bold decision to locate its first pop-up shop on a boat.

Bespoke Atelier case study

Bespoke Atelier, a surface and textile design studio based in Glasgow, set up a festive pop-up shop on a canal boat selling a selection of work from local artists and designers in time for Christmas 2013.

Bespoke Atelier was set up by two alumni from the Glasgow School of Art (GSA). Marion Parola and Yvonne Elliot first met as students on the Textile Design BA and subsequently went on to pursue a Master of Design in Fashion and Textiles, focusing on printed textiles design. While completing their Masters, they won the Deutsche Bank Award, which provided the financial backing the pair needed to start Bespoke Atelier.

This funding allowed them to fit out their studio with screen-printing facilities, which the duo now use to create custom-designed textiles and printing on a variety of surfaces.

They have taken part in many projects and events, including providing designs for the St Andrews postgraduate reading room, the Commonwealth Games flag project and a Christmas pop-up boat.

The Bespoke Atelier Christmas pop-up boat sold a selection of work from a range of local artists and designers. The canal boat was moored on the Forth and Clyde Canal and was open during December 2013. The pop-up boat featured work from Bespoke Atelier, Scottish Canals, Flux, Libby Walker, Deryck Walker and many more artists and designers.



Timeline of modern pop-up retailing:

Early 1990s - Farmers' markets begin to appear in the UK and the USA.

1999 - Vacant develops the concept of pop-up retail by launching a temporary store in Los Angeles.

2003 - Vacant opens their second store in New York City, while Target, an American retail company, opens a store selling women's clothing by designer Isaac Mizrahi.

2004 - Comme des Garçons, a Japanese fashion label, launches a 'Guerrilla Shop' for one year in Berlin.

2006 - Nike opens a pop-up shop in New York selling a limited number of \$250 shoes.

2011 - BOXPARK, a pop-up mall in London, opens housing pop-up shops that include independent stores and well-known brands selling goods and experiences.

2013 - Appear Here, the largest online marketplace for short-term retail space, works with landlords to provide short-term leases for pop-up stores.

2014 - Old Street Underground Station, London, is regenerated and starts housing pop-up shops.

The growth of pop-up retailing can be partly attributed to landlords' need to temporarily fill vacant storefronts and consumer demand for the variety of products pop-up shops offer.

Two of the most widely recognised names within pop-up retailing are Appear Here and BOXPARK:

- **Appear Here** is a London-based business that "seamlessly connects landlord's vacant spaces to people with great ideas"⁷, through the use of their online marketplace for short-term retail space. Appear Here was founded by Ross Bailey in February 2013 and since then has become a springboard for entrepreneurs looking for space to set up pop-up shops around the UK;



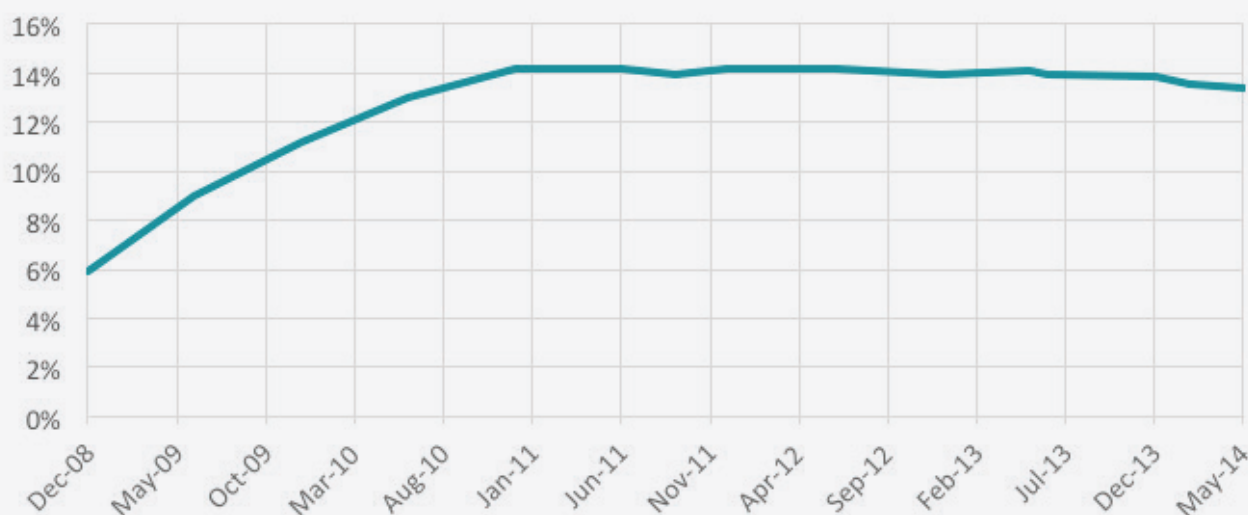
⁷Find out more about Appear Here, here: <http://www.appearhere.co.uk/about>

- **BOXPARK** is a shipping container pop-up mall in Shoreditch that houses 60 different retail units with a blend of shopping, food and drinks stores. BOXPARK was started in 2011, by founder and CEO Roger Wade, and is expected to remain open for four years before the redevelopment of Bishopsgate Goods Yard.

Pop-up shops have been capitalising on the increase of vacant properties due to the downturn⁸. Figure 1 illustrates how shop vacancy rates increased through the UK recession of 2008-9 and have remained at an elevated level through the recovery. Vacant storefronts are not only unappealing but also present loss of revenue for property owners. Indeed, a report written by Mary Portas, commissioned by the UK government, states that offering a “pop-up experience”⁹ is an effective way to use a vacant shop.

Vacant storefronts offer an incentive to local authorities and landlords to attract new businesses to the area. A recent study of over 500,000 premises by the Local Data Company found that the overall vacancy rate in the UK fell by 0.5 percentage points to 13.6% in February 2014, which Retail Gazette, a retail news outlet, puts down to growth in “convenience stores and the pop-up sector helping to fill empty shops”.

Figure 1: Shop vacancy rates for the UK as a whole



Source: Local Data Company, Cebr analysis

Variety of pop-up retailing

There is a vast array of different types of pop-up locations. Pop-up retail is not limited to capital cities such as New York and London – they can be found in towns and cities across the globe. Within these locations, pop-up retailing offers consumers a large variety of different products to purchase because pop-up shops often group together, such as the Great Western Arcade in Birmingham, UK.

Since pop-up shops are normally a smaller size than a permanent store, retail areas can become more densely populated with different and exciting stores attracting a wide array of customers. The variety of stores, novel retail experiences and limited edition products make pop-up retailing attractive to consumers and has helped fuel the growth seen in the industry.

⁸According to an article published by the South West News Service in January, 2014

⁹From “The Portas Review”, by Mary Portas. This report, commissioned by the government, provides an independent review in the future of UK high streets.

Changing consumer culture – Farmers' markets

The growth of farmers' markets in the last 20 years encapsulates the changing consumer culture within the UK today. Consumers are more concerned with 'food miles' (i.e. how far food has travelled), which means that the source and freshness of produce is becoming more valuable. According to a consumer-based survey for the Soil Association and the National Association of Farmers Markets, consumers also value supporting small farmers as well as the variety of goods that farmers' markets sell¹⁰.

As well as benefiting the consumer, farmers' markets help the farmer by¹¹ :

- **Cutting out the middleman so they can provide lower prices, while increasing profits.**
- **A different source of revenue than selling their produce to large organisations.**
- **Interact with customers to determine what products are the most popular.**
- **Ability to network and socialise with other farmers.**

¹⁰ According to a consumer based survey which can be seen in a Friends of the Earth report entitled "The economic benefits of farmers' markets" that can be accessed here: http://www.foe.co.uk/sites/default/files/downloads/farmers_markets.pdf

¹¹ According to survey evidence presented by the New Mexico Department of Agriculture, Summary of 1999 National Agricultural Statistics Service Survey and survey based evidence of New York farmers markets for the Farming Alternatives program at Cornell University.

3. What is holding back pop-up retailing?

One of the main appeals of pop-up retailing is its temporary nature, however, it is also the sector's Achilles' heel. From setting up a fast and reliable internet connections for only a few weeks, to finding the right short term rental space, there are a multitude of barriers associated with the short-term nature of a temporary store. If removed however, the pop-up retail economy could expand at a faster rate than expected. This would result in a potential increase in the nascent sector's retail turnover of over £200M over the coming 12 months, helping to launch the careers of a further 2,700 entrepreneurs.

Businesses supporting the retail industry like landlords and utilities are typically used to dealing with stores that have long term plans to stay in the same location. Therefore they have a longer period to set-up and require long leases, insurance and point-of sales devices in comparison to pop-up shops.

Successful pop-up shops have been able to overcome some of these obstacles through partnering with organisations that understand the problems this sector of retail faces. Outlined below is a list of major difficulties facing pop-up stores, defined by the storeowners and existing research studies, as well as examples of how these troubles have been overcome.

3.1 Technological barriers

The Problem

A main barrier pop-up shops face is their lack of long-term investment in technology due to the temporary nature of the store or idea. To be successful stores typically need to have working Internet and point-of-sales devices so they can promote their store in real-time through social media and take card payments. Furthermore, point-of-sales units should not be linked with a publically available WiFi due to the increased security risks of connecting to such a hotspot¹². Attaining and installing the technology needed to operate a pop-up store can take long periods of time, acting as a significant hindrance to opening a pop-up shop.

It takes roughly 15 days to install a new landline¹³, which means that retail outlets either have to operate with no internet connection for the first two weeks of opening or they would have to delay the launch of the shop, both of which could prove detrimental to a temporary store's financial situation.

Long contracts on point-of-sales devices can also negatively impact a temporary store that might not have the initial funds to sign the contract or have use for the full 12 months, potentially forcing the shop to have a cash only policy. This would not only limit the amount of revenue a pop-up retailer can generate but also present a security risk for the store.

Moreover, temporary outage in electricity and point-of-sales service could cause significant losses in revenue and customer retention if outages occur at peak times of trade. This could be particularly damaging for a pop-up shop that experiences technological problems on the few days or weeks that they are open.

¹²Further information can be found on Wireless Security Watch's website: <http://www.bvsystems.com/WordPress/?tag=point-of-sale>

¹³The length of time to install a landline can be found here: http://bt.custhelp.com/app/answers/detail/a_id/8317/~/_/how-long-will-it-take-to-install-a-new-line%3F

In the pop-up retail environment technology needs to be easily portable and inexpensive enough so that a shop just opening can obtain the devices needed to sell and market their goods, with the ability to close the store and re-open in a different location without too many added costs from their initial investment.

In a traditional retail environment risks to technology can be reduced by substantial investment in IT systems such as the hardware and broadband. However, many start-up pop-up shops do not have the money to invest in expensive hardware.

Technology a retail store would typically need is:

- Internet connection
- Router
- Point-of-Sale device
- Private WiFi network
- Camera for surveillance
- Tablet device (replacement for POS)
- Receipt printer
- Phone

Overcoming the barrier: Case study on Millionhands

Streetwear brand Millionhands, was started in 2009 in Berlin as an online store. It collaborates with a selection of the world's most popular electronic music talent to produce limited edition apparel. Millionhands is currently a quarter of their way through a one year stay at BOXPARK, after testing the concept with a one week lease in December 2013.

It highlights a multitude of benefits that come with being in a physical retail space: real interaction with customers, ground level feedback, physical space to launch products and host events. Having a store also allows new customers who have yet to find the brand online, to discover Millionhands.

Problems it faced

Even though Millionhands started as an online store and then transitioned into a pop-up shop, it still suffered technical problems when setting up the pop-up shop. One of the major challenges the retailer faced when it moved in was that its wireless Internet was not set up, meaning it could not accept card payments initially.

How did it overcome this?

To ensure it could take card payments the brand used an application on a tablet device that links up to a card reader. Millionhands was able to use the free WiFi provided by EE at BOXPARK along with a card reader and application provided as part of the e-payment system to overcome this technological barrier. BOXPARK also has an online marketplace linked to this payment system which allows consumers to purchase goods online through its website, automatically notifying the pop-up shop.

Advice from Millionhands

"Get as much help as possible. Although we didn't have wireless Internet initially, we had support from friends who helped us set up a card payment application on a tablet device that could be connected to a portable mobile WiFi device." – Tom Mangan, Founder of Millionhands.



The power of 4G: case study on The Ribman

Mark Gevaux, aka "The Ribman" is a London street food seller who has regularly sets up stalls at Brick Lane and King's Cross. The Ribman, a butcher by trade, took to the market streets in 2008 to sell fresh racks of meat. To show customers the quality of the meat, he began cooking samples on a disposable barbeque and using a mobile internet connection to broadcast his location, photographs of his food and take payments.

Problems he faced

Originally, The Ribman was operating on 3G internet, where the signal was too weak and unreliable. This had a detrimental effect on his business, as he was unable to take payments from offices via online payment websites and quickly broadcast his location to his customers via images and video posted on social media sites.

How did he overcome this?

The key to solving The Ribman's technological problems was upgrading to 4G with help from EE. Faster internet connection means The Ribman can broadcast his location and show his customers where he is and what he is doing, allowing them to find him easily and enticing them to come and buy his ribs. Being on 4G also allows The Ribman to manage the online orders of his sauce on the move, responding in real time from his stall, allowing him to gain a day of work back that he uses to grow the production of his hot sauce.

4G also provides The Ribman with the opportunity to grow his brand through HD videos of food preparation and photographs of customers, which he broadcasts via social media. Other tactics he uses are streaming live football matches on the stall and offering a free rib meat roll or bottle of sauce to customers who correctly predict the result, helping to create a buzz around his brand.

Advice from The Ribman:

"Having a fast and reliable internet connection is crucial for my business. Not only has it enabled me to take card payments and process orders while on the move, but the ability to live stream videos via social media has helped double the number of customers I have following me on Twitter."



3.2 Finding the perfect location and lease

The Problem

To be successful, a pop-up shop needs to find a location with a high level of footfall and a landlord willing to offer a short-term lease to accommodate the ephemeral nature of the store. The flexibility to offer short leases on properties is crucial as pop-up shops operate in one location for a month, a week, a few days or even a couple of hours. If landlords only offer long-term leases, then the pop-up shop opening could be delayed. This would be extremely detrimental if the store planned to open for any timely events such as the World Cup or Tour de France.

This problem is particularly prevalent for pop-up shops rather than typical retail stores who know they will be in a location for an extended period. This problem is notably acknowledged by the British Retail Consortium¹⁴:

"Finding space in thriving areas is difficult. If you are in a town centre where you have got landlords who can let to people on a five to ten year basis, there may not be the incentive to offer leases on a temporary basis." Amanda Callaghan, Director of Corporate Affairs, British Retail Consortium.

As well as securing the right length of lease, pop-up shops need to find the site most suited to their product or idea. This means a pop-up store needs to spend time researching an area, ensuring it houses or attracts their target audience. If a store sets up in the wrong location they might not be able to entice the volume of customers needed to deliver on the business objectives.

¹⁴The British Retail Consortium is one of the leading trade associations in the United Kingdom. They represent all forms of retailers from small, independently owned stores, to big chain stores and department stores.

Overcoming the barrier: case study on Playn Eyewear

Playn Eyewear, a glasses pop-up shop, currently has a temporary store in Shoreditch. Over the last year, it set up pop-up stores eight times across London, in varying locations from a café to a one metre wide store on Red-church Street. The reason behind setting up the store was to give customers a chance to experience the brand and try on the glasses.

Problems it faced

Once it found the right location, it suffered a range of planning and technical problems, from knowing how to get insurance and a music licence, to setting up WiFi so their customers could pay by card.

How did it overcome this?

Playn Eyewear researched areas beforehand to ensure it had the right kind of footfall for its product. Furthermore, friends of Lisa and Tess, who run the Playn Eyewear operations, helped support the firm by giving up time to look for suitable pop-up shop locations, as well as assistance setting up the store.

Tess Alshibaya, who co-runs the Playn Eyewear operations in London, stresses that pop-up shop owners need to be creative in their choice of location and product. She puts the quality of product and atmosphere as main reasons that customers are drawn to her store and end up returning, even if the store moves location.

Advice from Playn Eyewear

"Go for it. It's more work than you think and you have to factor in more time than you would initially anticipate, but it is worth it if you want to get your product in front of customers." Tess Alshibaya, Playn Eyewear.



How Appear Here and the British Retail Consortium helps pop-ups to secure the perfect location and lease

Appear Here's website allows users to lease retail space from landlords with vacant space. Through Appear Here, store owners can rent retail space throughout the UK for a period of one week or more – helping to reduce the problems of long-term leases.

With the large range of pop-up locations on its site, store owners can ensure they select the best location which has the right type of footfall, aiding the store's success.

"When finding a store, you need to make sure you are in the right type of space and you are also in front of the right audience. To do this, you either need to be there right in front of the your target customers to stop them in their tracks or you have to be the destination." Ross Bailey, Founder & CEO, Appear Here.

British Retail Consortium is a member of the **Future High Streets Forum** that brings together leaders across retail, property and business to provide advice to the government on challenges facing British high streets. The Forum's purpose includes:

- Advising the government how better use could be made of existing buildings, to bring people back to live in town centres, increasing footfall and supporting shops;
- Supporting the expansion of initiatives such as Love Your Local Markets and pop-up shops across the country.

So far the Future High Street Forum¹⁵ has produced a report aimed at highlighting and sharing the work being done to regenerate high streets so best practice can be shared. This report sets out a model for good leadership and local visioning which recommends appropriate steps to establish strong partnerships within towns and cities to improve the UK high street.

The report cites town centres such as Rotherham who conducted a "detailed review of ownership of long term vacant buildings in the town centre, and then pursued landlords to improve their properties and negotiate rent in order to bring the space back into use, resulting in a wave of 'pop-up shops' now trading successfully."

3.3 Costs

The Problem

One of the biggest benefits of establishing a pop-up shop is its low cost. If the idea or product doesn't sell, the owner of the store can close and move on without an overwhelming financial burden. However, costs are still a major challenge when opening and operating pop-up stores.

Some of the main costs include:

- Business rates.
- Property leases.
- Insurance.
- Purchasing stock.
- Fitting out the store.
- Investing in technology.
- Music license.

Business rates, calculated by postcode and retail space, can be a significant cost to pop-up shops. This problem is especially acute in London as rental prices even on small stores are too high to qualify for business rate relief.

These costs can be especially damaging to pop-up stores since this type of retailing cannot spread expenses over a long period of time. Furthermore, a lack of planning and insight into the retail sector means some of these costs are not taken into account in the store's original business plan or can be more expensive than initially anticipated.

¹⁵The report entitled "Good Leadership: Great High Streets" was released by the Future High Street Forum in May 2014 and can be accessed here: https://www.atcm.org/policy_practice/future_high_streets_forum/fhsreport1-good_leadership-great_high_streets

What is being done?

BOXPARK's Roger Wade, the entrepreneur behind the retail hub, is spearheading a campaign to get more shops onto the UK's high streets.

He wants the "government to help small independent shops by giving them small business rates relief for up to three months."¹⁶ He mentions business rates as a barrier because "even when I offer free rent many businesses still can't afford the space because of the business rates. Rates are payable from day one, and can be up to 50pc of the rental value."

Roger Wade has signed a petition along with 600 people and 25 institutional supporters with the hope to change the government's mind on business rates and offer a more affordable solution for pop-up shops.

BOXPARK also tries to help aspiring pop-up shop owners by offering a free trial period and discounted rates on its units. At BXPARK, WiFi is provided free by EE, helping to reduce the cost and technological barriers a temporary store might face.

3.4 Planning

The Problem

Planning to launch a pop-up store for the first time can be daunting. Often the owner does not know the procedures to follow and the people to contact to ensure the store is a success. Moreover, detailed planning takes time, which again conflicts with the temporary nature of pop-up retailing.

Issues that need to be planned for include:

- Where to set up the store.
- What products to sell.
- The design of the shop.
- How much stock to order.
- How many members of staff will be needed.
- Where to advertise for temporary staff.
- How much everything will cost.
- Where to purchase insurance and licenses.
- Where to attain the technology needed to run the store.
- How to successfully advertise the store.
- How to create a brand.

A lack of planning can be costly, especially if it means the store has to open without the right technology or any advertising to promote the store's location. Proper planning is a major barrier for many pop-up shops, particularly if the owners have not opened a store before and therefore do not know the procedures to follow or the items they need to purchase.

¹⁶According to an interview by Rebecca Burn-Callandar from the Daily Telegraph seen here: <http://www.telegraph.co.uk/finance/businessclub/10441261/Pop-up-shops-can-save-the-high-street-says-Boxpark-entrepreneur.html>

Overcoming the barrier: case study on Press London

Press London, a cold press juice pop-up shop, ran a temporary store in Old Street Underground Station between 17th April and 14th May 2014.

Problems it faced

Creating a viable and appealing visual merchandising concept from scratch that would keep the product cold, while presenting the full range presented a significant challenge. Moreover, given the nature of starting a new business and selling a new product it was unsure of the stock levels needed and the number of staff required to run the store – unfortunately due to its popularity the store sometimes ran out of juice by lunchtime.

Understanding the consumers and how they were going to pay (credit card or cash) for the juice was also a challenge. Press London started off with 5-10% of payments by card, but this increased to 25% by the end of its run in Old Street.

Getting insurance is also an obstacle pop-up shops must overcome. Press London found insurance was hard to attain for a short time period in a public space. They believe that they are not alone in facing this barrier, as other pop-up shops have also suffered from the lack of knowledge in launching temporary retail outlets.

How did it overcome this?

Press London sought advice from friends, family and most importantly other businesses that have had similar issues. Reaching out to people who have experience in setting up pop-up stores is one of the best ways to overcome knowledge barriers.

Press London's first call was to a restaurant owner who helped point it in the right direction to acquire the right insurance for its type of shop. Pop-up shops require the same full insurance cover as any other retail store, however they sometimes need cover for trading in public spaces and ideally on a short-term basis.

It now has contacts within the industry, such that it has been able to help other budding retailers looking to start a pop-up shop by referring them to relevant contacts and organisations.

Advice from Press London

"Establishing a pop up is the lowest risk way to bring your vision to life and to expose your cherished product or concept to real customers. It exposes you to both the realities of dealing with the customer on a day-to-day basis and also the customers' reaction to your product or service. You learn so much in just three weeks, it is incredible." Ed Foy, Press London.



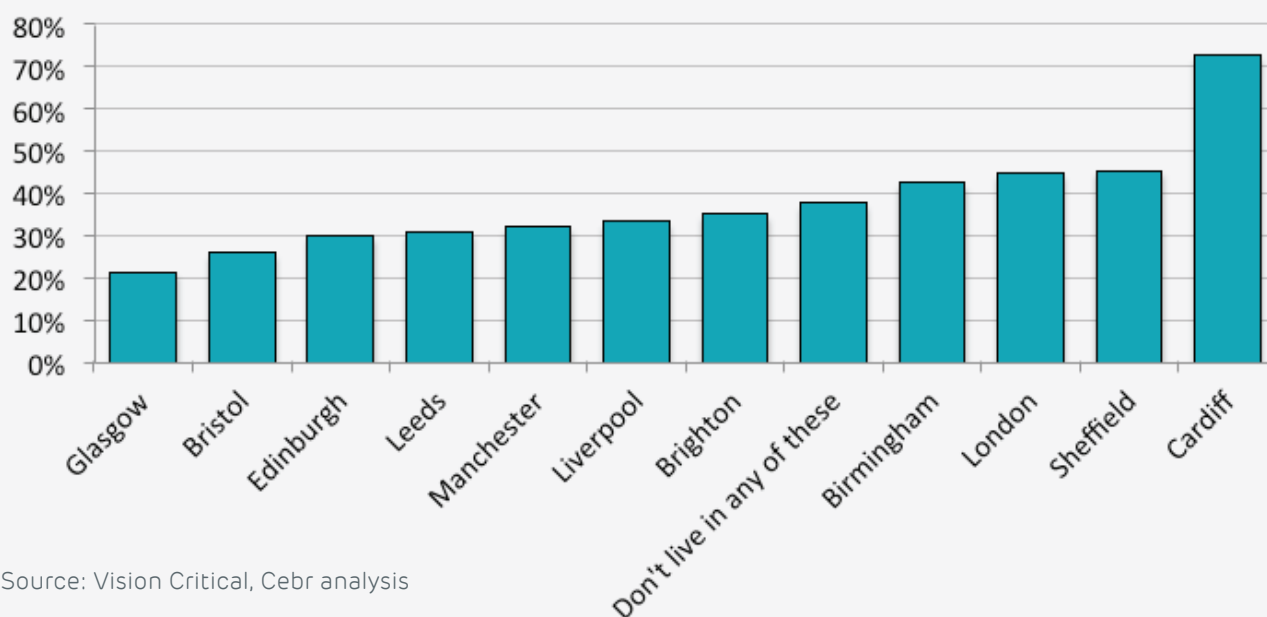
4. Current trends and turnover of pop-up economy

Pop-up stores, temporary in nature, are becoming a permanent fixture on high streets across the UK. They are different from large retail stores due to the type of barriers they face and the shopping experience they provide. Although pop-up stores are typically ephemeral, they still contribute towards output growth and employment within the UK while offering consumers unique and exciting products.

4.1 Analysing the survey evidence

Cebr in conjunction with Vision Critical conducted a consumer based survey¹⁷ to better understand pop-up retailing. The growing prevalence of pop-up retailing within major UK cities is illustrated below in Figure 2. The largest proportion of consumers who have visited a pop-up shop was in Cardiff, where the growth of pop-up retailing has been helped by vacant storefronts, which are higher in Wales than the rest of the UK¹⁸. The share of residents in other cities such as Birmingham, London and Sheffield that have visited a pop-up shop is also above the UK average of 38%, aided in part by organisations such as Appear Here and BOXPARK.

Figure 2: Percentage of respondents who have visited a pop-up shop by city

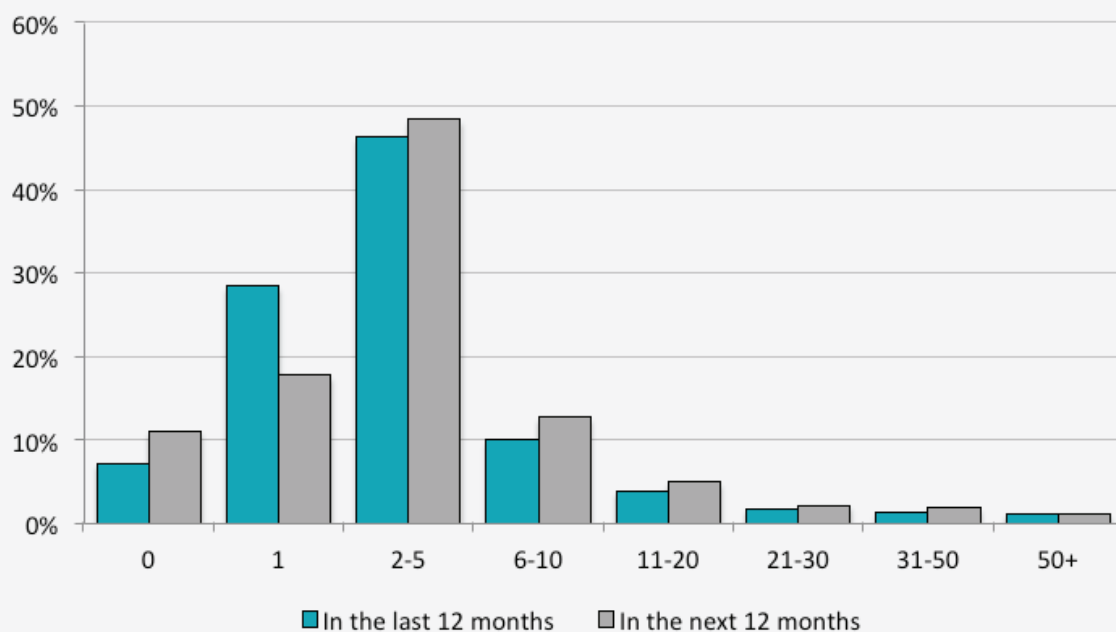


Source: Vision Critical, Cebr analysis

Individuals who have frequented a pop-up store typically visit five times per year on average. However, 8% of these individuals visited at least once a month. The average number of visits to pop-up shops is expected to increase over the next 12 months, from five to six per person, signalling a rise in repeat customers and the growing presence of the pop-up retailing sector.

¹⁷The survey was conducted in June 2014 by Vision Critical. The survey questioned 2,002 consumers and is nationally representative.

¹⁸According to Wales Online: <http://www.walesonline.co.uk/news/wales-news/empty-shops-cardiffs-st-mary-2508071>

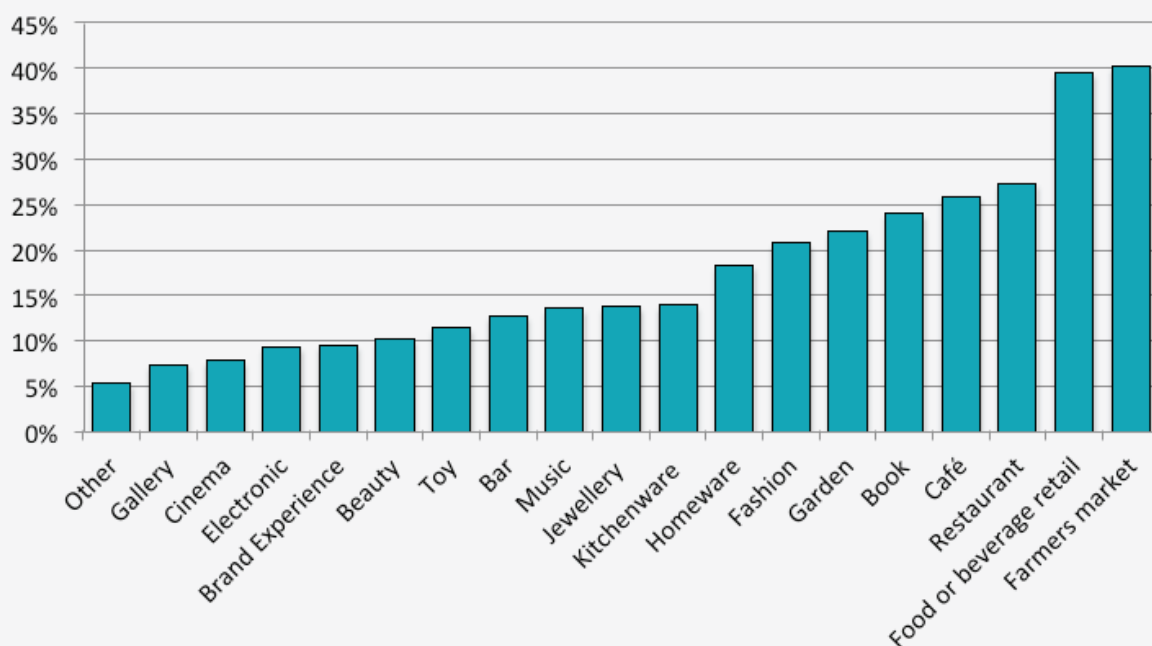
Figure 3: The average number of times a person has visited pop-up stores in the last 12 months and next 12 months

Source: Vision Critical, Cebr analysis

"Fashion, food and beverage is huge. We are getting so many amazing food concept stores it is crazy"
Ross Bailey, Founder & CEO, Appear Here.

The most popular pop-ups to visit and purchase goods from are those selling food or beverages. Farmers' markets, which have seen a resurgence in popularity over the last 20 years due to increasing concerns over 'food miles'¹⁹, are the most popular type of pop-up retail store, with the highest customer spend and volume. Pop-up galleries are one of the least popular shops to visit and spend money in, with only 7% of consumers who visited a pop-up store purchasing artwork in this type of shop over the last 12 months. However, when a customer does spend money in an art pop-up shop, the average spend per visit is £310, compared to £100 for food and beverage shops.

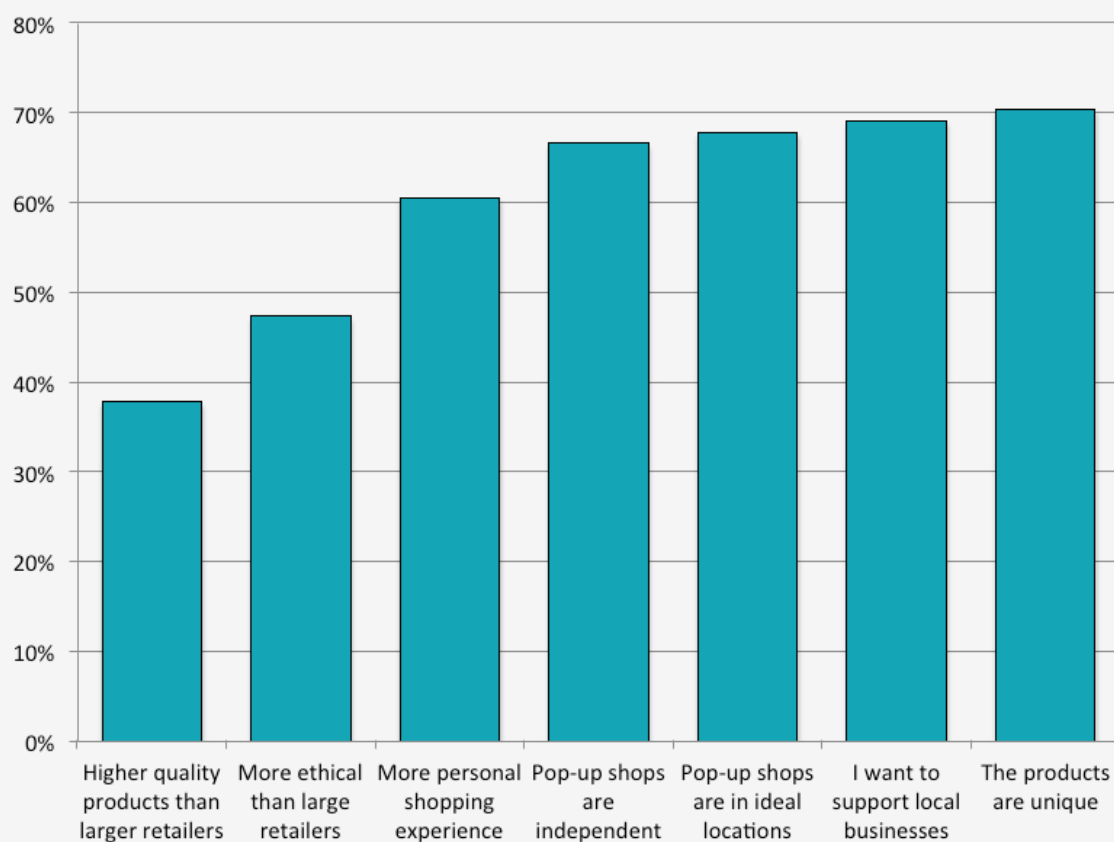
¹⁹Friends of the Earth, report on the economic benefit of farmers markets

Figure 4: Most popular pop-up shops by customer spend in the last 12 months

Source: Vision Critical, Cebr analysis

The resurgence in pop-up shops throughout the UK seems, in part, to be due to a changing consumer culture that increasingly values local and independent businesses. The main reasons given for visiting a pop-up store is the ability to purchase unique goods while supporting local businesses. According to research by Everline, the digital lender for small businesses, 42% of consumers are now “shopping local”²⁰, helping to bolster the increasing appeal of pop-up shops. An ideal location that provides retail stores with a convenient location is also valued highly by consumers. Of those who have visited a pop-up shop, 68% agree that being in an ideal location is the reason they visit the pop-up store, signalling the importance of setting up the store in the right area.

²⁰This research features in an article by Real Business, seen here: <http://realbusiness.co.uk/article/26672-consumers-shun-big-business-to-shop-local>

Figure 5: The main reasons people visit pop-up shops (% somewhat agree or strongly agree)

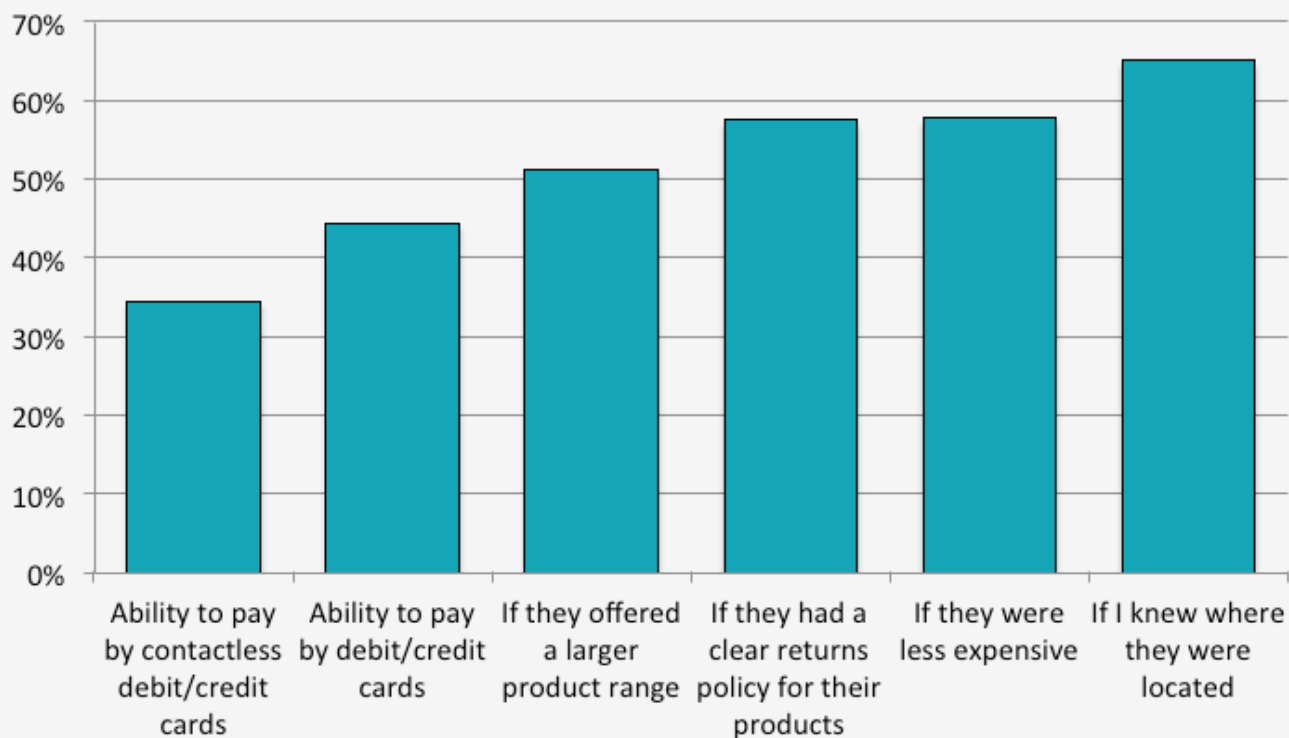
Source: Vision Critical, Cebr analysis

Promoting the pop-up shop is crucial for repeat custom. Out of the entire sample, 65% of people agree they would visit a pop-up shop more often if they knew the current location of the shop. Due to the temporary nature of pop-up retailing, consumers may only find out the location of the store after it has already closed or moved, thus representing a major barrier for the sector. A useful piece of advice in overcoming this obstacle is from Bastiaan Haghuis, Head of Growth at Appear Here, he states:

"Brands still have to utilise their personal network, social media network, their marketing channels, to make people understand the shop is there and they should come and check it out."

In addition to ensuring consumers know the location of the pop-up store, customers also value increased information about the store's payment methods and return policies. Of the sample, 58% of respondents agreed that if pop-up shops had a clear returns policy for their products they would visit the store more often.

Figure 5: What would make consumers visit pop-up stores more often (% somewhat agree or strongly agree)



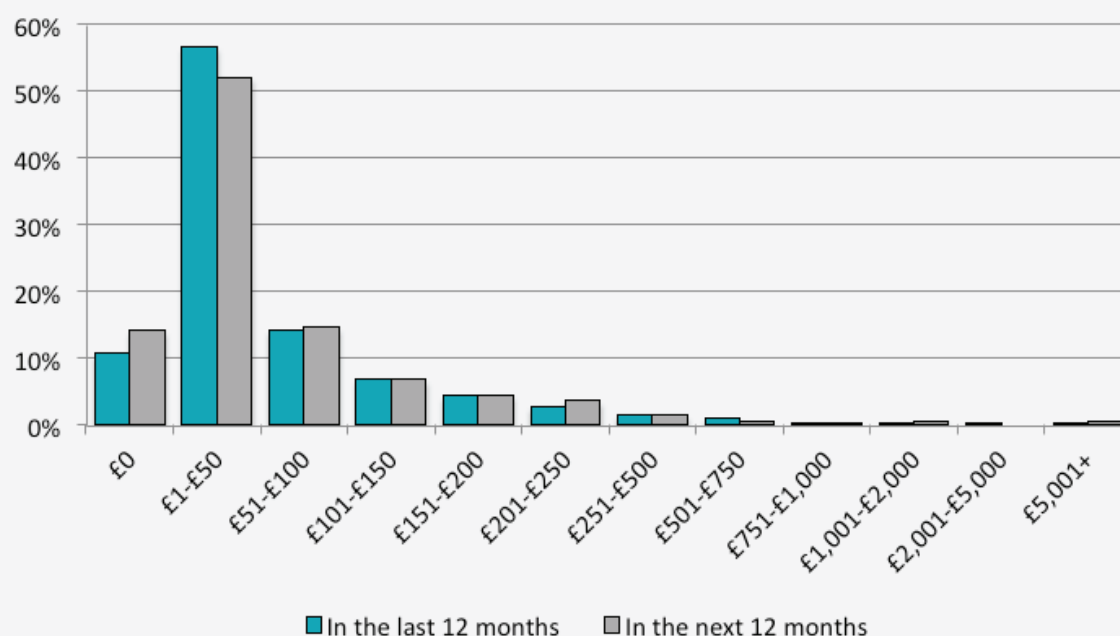
Source: Vision Critical, Cebr analysis

4.2 The economic significance of the pop-up retail sector

The amount of money spent in pop-up stores helps to increase the size of the retail sector within the UK and provides extra job opportunities within the industry. This effect helps to bolster the UK economic outlook as pop-up stores replace vacant storefronts and contribute to overall economic activity. Illustrated below in Figure 6 is the distribution of total amount spent in pop-up shops in the last 12 months and over the next year.

The largest proportion of consumers that have visited a pop-up store have spent £1-£50 per customer throughout last year and expect to spend a similar amount over the next 12 months. This equates to an average spend of £110 per pop-up shop customer over the last 12 months, which is expected to increase to £120 over the next year, signalling expected growth within the sector.

Figure 6: Distribution of amount spent in pop-up stores in the last 12 months and the next 12 months



Source: Vision Critical, Cebr analysis

Scaling up the average amount spent in pop-up shops over the last year allows for further analysis into the overall size of the pop-up retail economy in comparison to the whole retail sector. It is estimated that the total turnover of the pop-up retail economy in the last year was £2.1 billion and is expected to increase to £2.2 billion over the next year. This represents an 8.4% increase in the value of pop-up spend in the next twelve months.

By comparison, total UK retail sales values are expected to grow by 3.4% over the same period (Q2 2014 to Q2 2015). This implies that growth in the sector could be as much as 2.5 times (the growth rate is 147% higher) more in the pop-up sector compared to the wider retail sector. This is as expected given that the pop-up economy makes up such a small but growing proportion of the wider retail industry.

Using this data together with the UK retail trade statistics from the Office for National Statistics, it is estimated that the pop-up retail economy accounted for 0.6% of retail trade turnover over in the last year. Conducting further

analysis into pop-up retailing using micro-sized business data from the Business Population Estimates, which is provided by the Department for Business Innovation & Skills, we estimate there are 9,400 pop-up shops across the UK employing roughly 23,400 people in pop-up retailing. This is in comparison to the whole retail trade economy (excluding motor vehicles), which had a total turnover of £355 billion in 2013 and employed over three million workers.

Although the pop-up retail industry is small compared to the retail sector as a whole, the prevalence of pop-up shops within the UK is growing and is expected to continue flourishing as consumer expenditure within these temporary stores increases and consumer culture continues to evolve.

If the barriers to pop up retailing were reduced, we could see the sector take off further still: double digit growth could easily be attainable. Online retailers have seen sales growing close to 20% year-on-year. While pop-up retail uses a different business model to online businesses such as Amazon, if the barriers to pop-up retailing were reduced, growth could move above 10%, with jobs supported by pop-up retail rising significantly too.

5. Conclusion

Pop-up retailing is experiencing a boom in the UK, helped by the recession of 2008/09 creating vacant storefronts on high streets. The changing consumer culture that increasingly values personal interaction and unique experiences while supporting local businesses has also been an important factor in the popularity of the pop-up shop.

Although modern pop-up retailing has seen rapid growth over the last 15 years, the concept of an ephemeral store has been around much longer. Temporary stores, such as a clothes retailer at BOXPARK or a farmers' market in a local town suffer from a different range of barriers than typical retail stores. Pop-up shops, due to their temporary nature, need to secure an ideal location for their target audience while setting up portable technology that can be easily moved when the store relocates. Successful pop-up shops utilise this new technology, which allows them to quickly set up their store, broadcast their location, promote their brand and take payments from customers. Portable technology, easily accessible and secure WiFi hotspots and vacant storefronts has been helping this sector to flourish.

Pop-ups illustrate the innovative nature of the UK retail sector and are a growing part of the UK economy. Over the last year pop-up retailing produced £2.1 billion in revenue and employed roughly 23,400 people. Consumers also benefit from the rise of pop-up shops as they typically deliver a wide range of unique products by clustering together in one location. Further, pop-up retailing supports the existence of vibrant local independent businesses.

As the UK economy recovers and consumer confidence continues to rise²¹, the pop-up retailing sector should continue to grow. With the introduction of innovative technology, a changing consumer culture and an increased awareness of pop-up retailing, the sector is in good health, but could contribute even more to the British economy if more is done to remove barriers for pop-up entrepreneurs.

²¹Consumer confidence has reached its highest level in almost seven years, as shown by the YouGov/Cebr Consumer Confidence Index for May 2014.

6. Appendix

This appendix includes detailed information about the research and how the figures within the pop-up retailing report are calculated, as well as information on Cebr and EE.

6.1 About the research

This report has been produced by Cebr on behalf of EE to assess the emerging importance of pop-up shops to the UK retail sector.

Initially primary research was conducted by asking 2,002 consumers an array of questions on attitudes and experiences towards pop-up retailing. This survey was implemented by Vision Critical between the 6th and 9th of June 2014 and was nationally representative. As well as this, qualitative interviews with seven pop-up entrepreneurs were also conducted between May and June 2014 to glean insights into the pop-up retail industry.

The overall retail turnover of the pop-up retail economy is calculated by combining consumer survey data from Vision Critical and the Office for National Statistics (ONS) estimates on the number of over 18s within the UK. Combining the value for the average spend over the last 12 months in pop-up shops by over 18s and the number of over 18s within the UK, Cebr is able to put a pound figure on the amount of turnover generated in the pop-up retail sector. Further, utilising the estimated spend of consumers in the next 12 months coupled with ONS population estimates provides a pound value for the expected turnover of the pop-up retail industry over the next year.

To estimate the number of employees and businesses within the pop-up sector, Cebr utilised Business Population Estimates from the Department for Business Innovation & Skills to provide as similar²² as possible turnover to employee and turnover to businesses ratios. Utilising the calculation of the overall turnover of the industry and combining it with the Business Population Estimates provides an expected figure for the number of employees and businesses within pop-up retailing.

6.2 About Cebr

Centre for Economics and Business Research (Cebr) is an independent consultancy with a reputation for sound business advice based on thorough and insightful research.

Since 1992, Cebr has been at the forefront of business and public interest research, providing analysis, forecasts and strategic advice to major UK and multinational companies, financial institutions, government departments and agencies, trade bodies and the European Commission.

Cebr is recognised as one of the country's leading independent commentators on economics and business trends. Its forecasts are used by a diverse audience of business people, policy makers and journalists; even the Treasury publishes its predictions for the UK economy.

²²Statistics from the retail trade sector of micro-sized businesses (0-9 employees) was used to ensure our calculations reflected turnover to employee ratios seen in pop-up retailing.

6.3 About EE

EE is the most advanced digital communications company in Britain, delivering mobile and fixed communications services to businesses, consumers, government and the wholesale market. It has approximately 15,000 employees and 550 retail stores, and serves more than 30 million customers across its mobile, fixed and wholesale businesses, including more than 5,000 medium and large companies using 4G.

EE runs the UK's biggest, fastest and most reliable mobile network, launching the UK's first superfast 4G mobile service in October 2012. EE's 4G coverage today reaches more than 70% of the UK population, aiming to reach 98% by the end of 2014.

Since it launched, EE has received extensive independent recognition including being ranked the UK's best overall network by RootMetrics®, Best Business and Consumer network at the 2014 Mobile News Awards, Fastest Network at the 2013

uSwitch Awards, Best Network at the 2013 Mobile Choice Consumer Awards and What Mobile Awards, Network Innovation at the 2013 Recombu awards and Best Network for Business at the 2013 Mobile Industry awards.

For more information, visit: business.ee.co.uk